### Editorial

# IView

### Signing hope

THE Action Committee for Media Freedom, a collective of media organisations, has started a petition to push Sri Lanka's reluctant Government towards much-needed right to information legislation.

The right to information is a universally-acknowledged but rarely legally implemented need. In countries that have particularly vulnerable political situations, it is even less followed. But Sri Lanka remains one of the few countries in the region that so far has not moved even a step forward on such crucial legislation.

For example, it took decades for the Indian Government to pass its Right To Information (RTI) Act in Parliament. It was finally managed in 2005 after a long road of negotiations and attempts by Members of Parliament to dilute its powers. Recently it gained even more teeth and election results across the Palk Strait have proven that corruption is taken very seriously over there.

The RTI Act enabled the implementation of freedom of information legislation in India on a national level to provide for setting out the practical regime of right to information for citizens. Under the provisions of the Act, any citizen may request information from a public authority that belongs to the Government or is part of the State. The institution is required to reply expeditiously or within 30

The Act also requires every public authority to computerise their records for wide dissemination and to proactively publish certain categories of information so that the citizens need minimum recourse to request for information formally. This gives an idea of why a RTI Act is of paramount importance in a country like Sri Lanka.

What made the real change in India, even more than the passing of the Act, was the coordinative action taken by civil society to educate the public about the powers they have been vested with through the Act. Extensive awareness programs, particularly among the poor, gave them the knowledge to use the Act to gain their rights. No longer could Government departments hide behind red tape and nameless officials; their very presence meant that the average people could have the right to know what decisions had been made in their name.

Sadly, Sri Lanka is still lagging behind in this process. The UNP presented a Right To Information Bill in Parliament in 2011, only to be hopelessly outvoted. That was the second time that the document was presented. In the earlier instance it was withdrawn as the Government had pledged to present its own RTI Act, which has failed to appear till now. In fact, even the President himself dismissed the matter in 2011, showing how deep disregard for the issue runs. Despite being present at the Annual Report launch on Tuesday to hear Dr. Jayasundera's words, it is unlikely that there will be any change.

The fact that blatant corruption and wastage happens across the board in this country is an open secret and the RTI Act would give the people the power to bring their representatives to book. Drafting out and passing a RTI would be pointless unless it is implemented properly for all wrongdoers. The protection of average people who bring these charges must also be assured as otherwise no one will use the Act for its intended purpose.



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The entertainment business is a tiny area of economic development and there is tremendous potential to develop the industrial and agricultural base of Sri Lanka

## Rethinking FDI strategy

FOREIGN Direct Investment (FDI) is an effort at investing in a business of a target country either by expanding business operations of an investor either in a new/existing production or by making a deal either to merge or acquire the assets/equity of another company in a target country.

FDIs do normally come in four categories such as extracting natural resources, infrastructure, and manufacturing and in services. All these investment decisions and

transactions do require business sense as investors do their basic mathematics and logic taking into account the business environment, the market, financial and tax incentives, labour productivity, repatriation of profits and other social and political risk factors.

Incentives for FDIs would take various forms such as low corporate taxes and longer tax holidays, low wages, raw materials and preferential tariffs using existing Free Trade Agreements (FTA), special economic zones, attraction for special infrastructure facilities available in the target country, Research

and Development (R&D) facilities and for host of other business rationales.

There has been a contemporary debate as to the morality of promoting gambling in the town as Government of Sri Lanka is duty bound to promote the teaching of Buddhism. The real benefits from FDIs can be had by articulating a long-term sustainable FDI strategy that would bring industries and technologies to augment our economic development.

#### Practical aspect of an FDI

Let's take for example a shipbuilding company that would be attracted to investing in an existing steel mill (merger or an acquisition) in another country as shipbuilding involves erecting steel bars and plates. If the shipbuilder is unable to source steel bars and plates it would hamper the project completion schedules and results in paying liquidated damages. If the order book is high, it can even contemplate investing in an entirely new steel mill.

Shipbuilding requires special marine grade steel, if the target country provides R&D/testing laboratory facilities it would further augment the logic of investing in a greenfield site. However if there is low unemployment rate (fewer people without jobs) then investor might wonder as to where it could secure labour for the investment. If the target country provides a liberal visa regime for foreign workers that too would be an attraction but economics and business sense do dictate investment decisions. This proves that in order to attract FDIs, the target country must have the basic facilities and other disciplines

A strong 'political will' would be required to establish 'the basics'. The entertainment business is a tiny area of economic development and there is tremendous potential to develop the industrial and agricultural base of Sri Lanka. More people could be employed in the industrial and agricultural investments where the Government would have solid electoral gains at the hustings and would contribute to attractive statistics on real economic growth. When ideal conditions are in place and with an effective marketing drive overseas, it would be possible to attract FDI that are of value to the national economy in the longer

The real FDIs are in the manufacturing sector, certainly not entertainment. Manufacturing would bring in new technology and expose the local labour for skills training. We have a thriving Free Trade Agreement (FTA) with India and its full potential has not been fully tapped. Sri Lanka's FDI strategy must have a scope for exploiting the FTA with India in order to penetrate Indian market. The lack of awareness and absence of a strategy would hamper FDI inflow to Sri

#### Lanka.

**By Srinath** 

**Fernando** 

#### Resource curse and Dutch decease

In economics, the Dutch disease explains the apparent connection between excessive foreign inflows that will make stronger our currency which would result in exports becoming expensive for foreign buyers thus rendering the manufacturing industry vulnerable to global competitiveness. The economists urge that foreign funds must not be rushed in thus artificially manipulating economics statistics. The foreign earning must be kept overseas with special funds, etc.

There may be a genuine case for Government to bring in foreign money in the form of FDIs for entertainment business but should be cautious on the possible macroeconomic implications as well. Resource curse is the phenomenon which rocked Nigeria, Congo and Angola owing to FDIs in extraction industry such as oil and natural gas, where the extraction industries had caused massive damage to the environment and fuelled the social unrest by bank rolling corrupt politicians, hiring mercenaries to guard the mines and exploration sites and meddling in internal politics. There is ample empirical research on the

In articulating a sound FDI strategy, it is prudent to have a close examination of negative factors that have ruined other countries. A sound FDI strategy must encompass global trends and create other attractions necessary for FDI inflow.

#### Attractions for FDIs

Any investor would first look at the target country and check if the country has a record of good governance such as rule of law, industrial unrest, finance and banking sector, crime rate, corruption, transparency in Government activities.

public utilities, basic infrastructure, transport, shipping and so on and so forth.

There have been 10 cases of armed robberies in the Western Province itself within a short span of time. Army deserters, with commando training and arms and bullets, are on the loose and they would certainly pose a grave threat to peace and security of general public. The Government must rein in on these elements decisively and put

an end to it. As far as Sri Lanka is concerned the authorities must take a closer and harder look at its own performance as regards governance. There have been serious questions over good governance. The business sector is acutely aware of the incidents that took place in the recent past which do not pass muster the business confidence indices of the local business sector let alone international community. Let's put our own house in order rather than attributing to non-existent ghost theories - often called 'foreign conspiracies' by loose cannons with Marxist ideologies.

#### in Trincomalee

There is tremendous potential in economic development in the liberated areas of north and east as well. Late Minister Lalith Athulathmudali had a vision for a Shipping Register

as in Liberia, Hong Kong and Panama.

Trincomalee is an ideal place for laying up of ships at a very low cost and also shipbreaking for scrap steel. Currently ship-breaking is a thriving industry in India, Pakistan and in Bangladesh. The Minister in charge of economic development must undertake some research on this subject as this proposition would be complimentary to the Government's ambitious shipping

FDI in agricul-

hub strategy.

organic consumer is difficult to

pinpoint, but new research continues to shed light on consumer attitudes and purchasing behaviour. Organic price premiums continue to remain high in many markets as the demand for organic products expands. U.S. sales of organic products were an estimated \$28.4 billion in 2012—over 4% of total food sales-and will reach an estimated \$35 billion in 2014."

There is a similar demand in Europe as well. It is strange that no investor has seen the amount of water fountains in our blessed country and being absorbed by Indian Ocean. Israel digs deep in search of water resources but cannot find water but how come Israel is exporting fruits and other agro products all over the world. It is high time the debate on Eppawala phosphate mining was revived. What Sri Lanka needs is an investment in this area either by foreign/local collaboration or through a fully owned Sri Lankan entity. There are ample quartz deposits in Sri Lanka, yet another area the policymakers must

#### **Global Value Chains (GVC)**

Transnational companies with GVC should also be targeted for FDIs. There must be a research survey as to the reasons that led transnational companies to invest in Bangladesh and Vietnam and why Sri Lanka was not chosen.

The UNCTAD Report on World Investment for 2013 savs: "GVCs lead to a significant amount of double counting in global trade. Raw materials extracted in one country may be exported first to an affiliate in a second country for processing, then exported again to a manufacturing plant in a third country, which may then export the manufactured product to a forth for final consumption. The value of the raw material count only once as GDP contribution in the original country but is counted several times in world

The report also highlights the importance of GVC's in

the global economy. The report says: "GVCs constitute the nexus between investment and trade, to show the importance of GVCs in today's global economy and especially their weight in developing countries, to provide evidence for the impact of GVC participation in developing countries, and to make concrete recommendations to help policymakers maximise the benefits of GVC participation for economic growth and development while minimising the associated

exports.'

(This writer is a freelance journalist and a political lobbying and public affairs consultant. He is also a member of the American Association of Political Consultants.)



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tural ventures should be actively promoted. Perhaps local investors

could be wooed in this area as there is a global demand for foods produced with organic methods. The US Department of Agriculture (USDA) says: "Consumer demand for organically produced goods continues to show double-digit growth, providing market incentives for US farmers across a broad range of products. Organic products are now available in nearly 20,000 natural food stores and nearly three out of four conventional grocery stores. Organic sales account for over 4% of total US food sales, according to recent industry statistics. Organic food is sold to consumers through three main venues in the United States conventional grocery stores, natural food stores, and directto-consumer markets. A typical